App.F.IX-4]

1924-5

File No. 9-24

Previous References.
9.T. 14-20 (6.7.14)

9.T.)

Serial Nos. 1-6.

Later references.
9.T. 12-26-11
9.T.Dep. 142/46.

GENERAL & REVENUE SECRETARIAT

Serial Nos. 6.

Part B for Jan: 1926.

SUBJECT

Depreciation Charges on shafts sunk for mining purposes at K.G.F

Fr 3611 / 9.T. 9-24-6 & 22.12.25

Ntf the rates of depreciation allowances on machinery, plant furniture etc.

To the Comptle

G. R. S. 11) 1924

GENERAL AND REVENUE SECRETARIAT.

(24)

NOTES.

File No. 9-24

FILE HEADING.

Depreciation charges on Shafts sunk for mining purposes at K. G. F.

From

The Comm^r of Income Tax in Mysore.

No. C850 Dated 28.7.24 Received 29.7.24

Diary No. H424	Enclos. 1	Spare Copies. –	Serial No. 1

BRIEF ABSTRACT OF LETTER.

Forwards copies of D.O. letters from the Dy. Comm^r of Kolar in regard to the claims that may be made by the Mining Companies for depreciation on Shafts which has ceased to be useful and solicits orders in the matter.

NOTES AND ORDERS.

Subd. The proposal of the Dy. Comm^r of Kolar is to amend the I. T. Ry^n by adding a provis to clause VI of Sub para 2 of Section 10 to the effect that a Shaft sunk for mining purposes shall not be regarded as a building, machinery

G. R. S. III-2]

WD 2310—GPB—10,000—31-5-24

General and Revenue Secretariat. | GT File No. 9 of 1924

Serial No.

or plant on which depreciation is allowed under the provisions of the Rep^{n}. The amendment is suggested under the apprehension that there will be a great fall in the amount of tax assessable on the income of Companies, should the Mining authorities (who have not yet made any claim) prefer a claim for depreciation of shafts.

2 The two points that arise for consideration now are

(i) Whether such a claim (if preferred) is to be allowed.

(ii) What provisions are made in the British Indian Act in respect of such claims.

3 Such claims are allowed in British India as "shafts" are included under Mines for which depreciation rates are fixed. At the time of the promulgation of the I.T. Act of 1922 there was no provision for it, but subsequently a new item has been added to rule 8 of the I.T. rules (vide page 44 a of the Govt. of India manual). The Govt. of India have also issued instructions

NOTE—Conton. sheet.

G. R. S. III-2]

WD 2310—GPB—10,000—31-5-24

General and Revenue Secretariat. 97 File No. 9 of 19 24

Serial No.

Page 92 of the D.T. manual.

to the effect that depreciation allowances should be made for sinking shafts in coal mines which are included in the term plant. This was not newly added when the additions for mines were incorporated in the rules, but seems to have been in ~~existence~~ vogue for a long time. As sinking shafts in coal mines are allowed depreciation, it may be presumed that shafts in gold mines also are allowed depreciation.

4 As for the first point, there is no provision in our rules for such claims. only plants of the Electric machinery used in connection with Gold mines are included under the items for which allowances under Section 10(2) vi of the Rule are mentioned [Vide pages 37038 of the copy of the D.T. Rule and rules framed thereunder.].

5 It therefore seems clear that if, as apprehended, a claim is made by the mining Companies for depreciation it may be rejected on the ground that there is no provision for it as the Mysore D.T. rules at present are.

W

NOTE—Conton. sheet.

G. R. S. III-2]

WD 2610—GPB—10,000—31-5-24

General and Revenue Secretariat. | JT File No. 9 of 1924.

Serial No.

b As the Rules now stand, there is no provision for allowing deductions under the Regulation for depreciation on shafts in a Gold mines. Any claim for such deduction preferred by the Gold Mining Companies has therefore to be disallowed. If the Mining Companies press the matter as a general proposition ~~for the~~ it amend the Rules so as to provide for ~~the~~ depreciation on shafts being allowed. The representation may then be considered. If this view is approved the I. T. Cmr may be asked to intimate the Dy. Comr Kolar that

(1) there is in the Rules no provision for allowing depreciation on shafts, ~~and~~

(2) that there is no cause for any doubt in the matter and that therefore

(3) no action is called for in the matter.

Rev Secy)

Mad 4/8/24

NOTE—Contn. sheet.

5

G. R. S. III-2]

WD 2310—GPB—10,000—31-5-24

General and Revenue Secretariat. | GT File No. 9 of 1924.

Serial No.

7 The point raised by the Deputy Commissioner and the Commissioner of Income Tax is not clear. The Deputy Commissioner begins by saying that the Gold Mining Companies may claim depreciation on shafts which have ceased to be useful for further mining purposes but later in his letter he has expressed the opinion that a shaft is neither plant, nor building, nor machinery, that it cannot depreciate or wear out by use and that consequently that no depreciation is allowable, on it. He does not clearly state whether depreciation is at present allowed on shafts which are actually in use. The Commissioner of Income Tax's letter however shows that depreciation on shafts has not been allowed since the introduction of the Income Tax Regulation in Mysore.

8 The questions to be decided are whether depreciation should be allowed in respect of shafts and (2) if depreciation should be allowed, whether it should be allowed in respect of - shafts which have ceased to be useful. In regard to question No. 1, whether depreciation should be allowed in respect of shafts, reference is invited to sub-para 6 of clause 2 of Sec. 10 of the Income Tax Regulation which says that an allowance calculated as a percentage on the original cost shall be given in respect of depreciation of

NOTE—Contn. sheet.

G. R. S. [II-2]

WD 2310—GPP—10,000—31-8-24

General and Revenue Secretariat | 9T File No. 9 of 1924

Serial No.

buildings, machinery, plant or furniture being the property of the assessee. In British India the Income Tax Act is the same as ours. Depreciation at the rate of 5 per cent on the prime cost is allowed in respect of shafts and inclines. Provision to this effect is made in the Rules. Please see page 44 of the Government of India Income Tax Manual.

9 The question whether depreciation is allowable in respect of shafts in mines appears to have come up for consideration before the Government of India and they have observed "that depreciation allowance should be allowed for sinking shafts, tramways and sidings in coal mines which are included in the term Plant". If shafts are treated as plant, Mining Companies are entitled to claim depreciation in respect of them under Sec.10, Clause 2 Sub.Sec.6 and the absence of any suitable provision prescribing the rates in the rules will have to be rectified by formulating a rule at present. The term plant as defined in Webster's Dictionary is "the whole machinery and apparatus employed in carrying on a trade or a mechanical business; also, sometimes including real estate, and whatever represents investment of capital in the means of carrying on a business, but not including material worked upon or =

NOTE—Contn. sheet.

G. R. S. [II-2]

WD 2310—GPP—10,000—31-5-24

General and Revenue Secretariat | 9T File No. 9 of 1924.

Serial No.

finished products, as, the plant of a foundry, a mill or a rail-road." The action of the Government of India in classifying shafts as plant appears therefore to be correct. The next question is whether depreciation should be allowed on shafts that have gone out of use. It would seem that depreciation has got to be allowed on the entire capital outlay on shafts irrespective of the usefulness or otherwise of a particular shaft at a particular time. The company is certainly not entitled to allowance to the extent of the full value of investment on the useless shafts but only a fixed percentage permitted by the rules.

10 If the above view is not accepted and it is held that no depreciation can be allowed on shafts it seems necessary to amend the law, as suggested.

10/6

11 Why was permission for depreciation in respect these shafts refused on Rule 8 & the Rule under which 1 shaft was permission has been made thereafter in B-8 Rules in which cases were based.

12 Was this omission in the knowledge of the Board & Government,

13 Are the relevant Rules in Sanctions & Rules may be put up for urgent

NOTE—Contn. sheet.

G. R. S. III-2]

General and Revenue Secretariat. | IT File No. 9 of 1924.

Serial No.

14. Subd. At the time of issuing rules under the Mysore I.T. Regn of 1923, the provision for allowances under Section 10(2) vi in respect of depreciation of buildings, machinery, plant or furniture had not been made by the Govt of India & hence the same was not incorporated in our rules. The allowances under mines provided in the rules of the Govt. of India are a recent addition (Vide page 44(a) of the Govt. of India manual for the addendum slip)

IT 48-22 HC.

15 The file relating to the rules issued under our Regn is put up. Reference is invited to rule 8 of the rules flagged P.

KV 27/8 2nd Member 627/27-8

16 mad 29-8-24

17 I think this law addition may be made from 1-4-24. My rules are adopted from the Rules Manual — as our Regn are based on the B Ltd Regn. A copy of my rules are put up accordingly for orders. dy 29/8

18 RC 29-8

Subst. mad 29/8/24 Draft notification of the ~~rules~~ power to make rules is under Section 59(3) of the I.T. Regn subject to the condition of

NOTE—Contn. sheet.

Serial No.

previous publication. The draft has therefore to be published for the information of persons likely to be affected thereby.

WD 3/9 19 Draft no [redacted] has been published as directed in para 14 above.

(A)

2. It seems necessary to inform the Dy Ch Mech Engr whether depreciation should be allowed or not in respect of shafts which have ceased to be useful. (Vide Rev Secy's note in paras 8 & 9 above)

Rev Secy)

4/9/24

(B)

VI II Mech.

9.9.24

156/6.9

2. (A) Draft appears to be submitted for Dewan's approval also

3. (B) No depreciation can be allowed in respect of shafts which have ceased to be useful. Dc may be informed accordingly

Dc

DEWAN'S OFFICE.
RECD. ON - 9. SEP. 1924
Reg. No. 2038

NOTE—Conton. sheet.

(A) Submitted for approval.

(B) B will be attended to after return of file

Dewan)

G. R. S. III·2]

(10)

WD 2910—GPB—10,000—31-5-24

General and Revenue Secretariat. | File No. | of 19

Serial No.

Issue & then resubmit with a draft as regards B above

15/9

To.

2 The Compiler, Mysore Gazette
no. Fl 16968 & 20.9.24

Notifies the draft of an amendment to the statement of rates of depreciation contained in rule 8 of the Mysore I. T. Rules.

Draft Subd. with reference to the orders of the member in para 2-3 supra.

KW 23/9.

29 Issue
23/9/24

To.

3 The Comm^r of Income Tax
no. Fl 18378 & 25.9.24

Informs that no depreciation can be allowed in respect of shafts which have ceased to be useful.

4 From The Same Officer no. C 850 & 2.10.24

Proposes the addition of a note in the remarks column of the notification against item 2.

Subd. The Comm^r suggests the addition of a note with a view that it would authorise him to disallow allowances

NOTE.—Contn. sheet.

Serial No.

claimed for Shafts which have ceased or will cease to be useful.

2/ Reference is invited to page 97 of Viswanatha Sastri's J.T. manual & page 364 of the Dictionary of J.T. practice in the matter of granting allowances in consideration of the exhaustion of a mine. Subd. for orders.

KW 15/10 3/ The addition suggested will be noted for consideration after the 20th Nov, ~~by which~~ the date fixed for receiving any objections or suggestions.

3 Does not this amendment require publication?

Mad 16/10/24

4/ Subd. Under Section 59 (3) of the J.T. Rules, the power to make rules is subject to the condition of previous publication. The meaning of this phrase is explained in the General Clauses Rules as follows

(i) that a draft of the proposed rule be published for the information of persons likely to be affected;

(ii) that a date after which it shall be considered be specified &

(iii) that the authority having power to make rules shall consider objections or suggestions received.

5/ It therefore seems unnecessary to publish the same again. Subd.

KW 17/10 6/ The Govt proposes the addition of a note ~~with effect~~ in the proposed Rules to the effect that

NOTE—Contn. Sheet

C 63 (12) 1316

G. R. S. III-2]

General and Revenue Secretariat. | File No. | of 19

Serial No.

no depreciation will be allowed in respect of shafts which have ceased to be useful". and says that this would authorise the I.T. Officers to disallow claims for depreciation on account of shafts which have ceased, or will cease in future, to be useful. This is not necessary as it is clear that the sinking of a shaft is not an operation whose cost may be set against profits. It is enough if the Ex Comr. issues instructions to all I.T. Officers departmentally If approved the I.T. Comr. will be informed accordingly

(A)

Rev Secy

503 3/11 Secy 29.10

mad 24-10 18/10 Secy mad 29/10

38 (A) I agree

31/10

39 Draft mad 1/11

31-10

40 Draft submd W 1/11

mad 1/11/24

Seen Hill 20.11.24

NOTE—Contn. sheet.

G.R.S. III-2]

1170 (13)

File No. of 19

General and Revenue Secretariat

Serial No. 4

To.

The Comm^r of Income Tax

No. 71 2 36528 3.11.24

I intimates that no note or proposal is necessary.

2nd The same officer no. C850 8/11/24 5-

Forwards copy of a letter from the Dy. Comm^r of Kolar stating that Shafts should not be brought under any of the assets at which depreciation can be allowed & requests that the practice of the Govt. of India as regards the Gold mines or of the Govts in South Africa, Australia or Canada may be ascertained.

3rd Subd. The Govt. of India have included "Shafts" as one of the items on which depreciation is allowed in addition to the cost of repairs.

4 The Dy. Comm^r of Kolar is of opinion that Shafts should not be brought under any of the assets on which depreciation can be allowed & this view appears is based on the fact that Govt. will stand to lose a large portion of the tax now received from the mines.

5 The question has already been discussed by the Rev. Secy in his note dt 10.8.24 paras 10-11 supra.

KV 14/11.

Rev Secy

55344 11 24

20.11

read. 14/11/24

20/11

B20

NOTE—Contn. Sheet

Serial No.

45 I am indebted to the decision we have already arrived.

46 ~~However~~. The Act may however be asked to favour us with his opinion in the matter

24/11

AND LEGISLATIVE SECRETARIAT III PROTECTION BRANCH 3. 24

To L.d. Secty with Compts

24/11/24

47 This question was very carefully considered by the House of Lords in Coltness Iron Company v Black 6. App. cases 315 & the answer given by that august tribunal is that the miner is not entitled to deduct from the gross profits a sum estimated as representing the amount of Capital expended in making bores & sinking pits, which have been exhausted by the years working.

48 This decision has been the rule in England ever since.

49 I am therefore of opinion the proposed rule may not be issued made.

Revised with Compts

22/11/24

Mr Ker Please discuss decision to this person & shall will have to be amended in the proposed rules. By 27/11/24

2nd minute

50 The opinion of the Lord Justice Clerk should be communicated to the Secretary for the information of the Commissioners.

24/11/24

NOTE—Contn. Sheet

Serial No

51

Draft D.O. Sirkar

WW
19/11

52 Draft for approval. The other changes proposed to be incorporated in the rules will be considered after issue of draft

B
18/11.

Revised)

53 It was not a reply re 'depreciation on Shafts and other assets' already given.

Vide this office letter No. H 2365 dt 3.11.25

The deletion of the item 2,3 & 4 in the draft Notn approved by the member Udwin in Sept. 1924, as per L. A. Dept's opinion has now to be taken up.

What is the only outstanding point

h
13.11.25

54

Sirkar, with two drafts as directed

WW
17/11

55 Please Boring misup with the gazette in which the draft note was published - Very early please

B
23/11

7/12

56 The drafts may be appd

B
8/12

5490
14.12

Revised) 2nd member Hon L.A. Dept 5.7 Appd

h
9.12.25

B

57

Issue

h
15/12

B
14.12
cy
14/1

Note—Contn. Sheet

General and Revenue Secretariat

I.T (File) No. 9 of of 1924

Serial No.	
6	Fl. 3611 & 22.12.25 Notifies the rates of depreciation allowances on machinery, plant etc. To Computer →

Note—Contn. Sheet

CONFIDENTIAL.

WD 1452—GPB—500 copies 29-3 21

IN REPLY REFER TO
NO. C880/23-24...
ENCL. 1

OFFICE OF THE COMMISSIONER OF INCOME-TAX IN MYSORE.

Bangalore, dated the 28th July 1924.

FROM

V. R. THYAGARAJA IYER, Esqr., M.A.,
The Commissioner of Income-tax in Mysore.

To

K. V. ANANTHARAMAN, Esqr., B.A.,
Secretary to the Government of
Mysore, Revenue Department,
BANGALORE.

Sir,

I have the honour to state that the Deputy Commissioner, Kolar District, has reported in his D.O. dated 20th June 1924 that the Gold Mining Companies at Kolar Gold Fields may probably claim depreciation on shafts, which have ceased to be useful for further mining purposes by the exhaustion of the ore and that if this claim were allowed there will be a great fall in the amount of tax assessable on the Companies' income as the sinking of a shaft involves expenditure of several lakhs of rupees.

2. On being asked whether depreciation is now being allowed, he says, in his D.O. letter of 17th July 1924, that depreciation on shafts has not been allowed since the introduction of the Income Tax Regulation in Mysore, but suggests that a proviso may be added to Clause VI of sub-para 2 of Section 10 of the Regulation to the effect that a shaft sunk for mining purposes shall not for the purposes of the Section be regarded as a building, machinery or plant.

3. Item (e) under the heading, "Electrical Machinery" of Rule 8 of the Mysore Income-tax Rules, 1923, provides for depreciation being allowed at 7½ per cent on plant used in connection with

Gold Mines. As shafts cannot apparently be included under "Electrical Machinery," a claim for deprection on shafts seems to be unsustainable under the present law.

4. In this connection, I beg to state that in British India depreciation is allowed on "mines", under which heading shafts are included (vide item No.8, Rule 8 of the Rules under the Income-tax Act of 1922 on page 44a of the Indian Income-tax Manual).

5. The amendment of the Regulation as suggested by the Deputy Commissioner may, perhaps, be necessary should the Companies put forward claims for depreciation on shafts, which they have till now not done. The question being of great importance, I solicit the orders of Government in the matter before issuing instructions to the Deputy Commissioner on this point.

6. Copies of the D.O. letters of the Deputy Commissioner, referred to above, are herewith forwarded.

I have the honour to be,

Sir,

Your most obedient servant,

28/7/24

COMMISSIONER OF INCOME TAX IN MYSORE.

MDM28-7.

G. R. S., VI—G/32]

SUBJECT.....

.....

.....

.....

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

, *the* *191* .

Date of issue 20.9.24

Signed by— Sn M. A. Rajachar

Section 9-T.

File No. 9-24

Serial No. 2

No. FU 16-96

Notification

The following draft of an amendment to the Mysore Income Tax rules, 1923, which it is proposed to make in exercise of the powers conferred by Section 59 of the Mysore I.T. Reg^n 1923 is published, as required by the said Section, for the information of all persons likely to be affected thereby, & notice is hereby given that the said

over.

amount of tax deducted.

12. In the case of income chargeable under the head "Interest on securities," where the deduction is not made by or on behalf of Government, the person responsible for paying the interest shall pay to the credit of the Government by remitting the amount to the Income-tax Officer concerned or to such officer as he may direct with a statement showing the following particulars:—

(1) Description of securities.
(2) Numbers of securities.
(3) Dates of securities.
(4) Amounts of securities

raft will be taken into consideration
and after 20th Nov 1924. Any objections
r suggestions which may be received
om any person with respect to the
raft before the date specified
ill be considered by the Govt.

Draft Amendment

In exercise of the powers
nferred by Section 59 of the Mysore
I.T. Reg" 1923 the Govt. are pleased
o direct that the following ~~omission~~
be substituted ~~in lieu of~~ for
~~and additions be made to~~ the statement ~~contained~~
f rates of depreciation allowances ~~in~~
~~under~~ attached to rule 8 of the Mysore
Income Tax rules 1923:—

Class of buildings, machinery, plant or furniture.	Rate (Percentage on prime cost) Rs.	Remarks
BUILDINGS:—	...	*Double these rates may be allowed for buildings used in industries which cause special deterioration, such as chemical works, soap and candle works, paper mills, and tanneries.
(1) First class substantial buildings of selected materials.	2½	
(2) Buildings of less substantial construction.	5	
(3) Purely temporary erections such as wooden structures.	10	
MACHINERY, PLANT OR FURNITURE	...	†The special rates for electrical machinery given below may be adopted, at firm's option for that portion of their machinery.
General rate ...	5	
Rates sanctioned for special industries:—		
Flour Mills, Rice Mills, Bone Mills, Sugar Works, Distilleries, Ice Factories, Aerating Gas Factories, Match Factories.	6¼	
Paper Mills, ship building and Engineering Works Iron and Brass Foundries, Electrical Engineering Works, Motor Car repairing Works, Galvanizing works, Patent Stone works, Oil extraction factories, Chemical works, Soap and Candle works, Lime works, Saw Mills, Dyeing and Bleaching works, Furniture and plant in hotels and boarding houses, Cement works using rotary kilns.	7½	
Plant used in connection with brick manufacture, tile making machinery, optical machinery, glass factories, surgical and dental instruments, Telephone Companies, Collieries.	10	
Sewing machines for canvas or leather.	12½	
Motor cars used solely for the purpose of business.	15	
Motor taxis, motor lorries, and motor buses.	20	
Electrical Machinery:—		
(a) Batteries	15	
(b) Other electrical machinery, including electrical generators, motors (other than tramway motors) switch-gear and instruments, transformers, and other stationery plant and wiring and fittings of electric light and fan installations.	7½	
(c) Underground cables and wires....	6	
(d) Overhead cables and wires, ...	2½	
~~(e) Plant used in connection with Gold Mines.~~	~~7½~~	
Hydro-Electric concerns:—		
Hydraulic works, pipe lines, sluices and all other items not otherwise provided for in this state-	2½	

G. R. S. G/33]

GENERAL AND REVENUE SECRETARIAT.

Continuation sheet draft fo...

5 Mines

(1) Railway sidings (excluding rails)	5	
(2) Shafts	5	
(3) Inclines (excluding rails)	5	
(4) Tramways on the surface (excluding rails)	10	
(5) Electric plant used in connection with Gold mines	7½	

Depreciation on rails used for tramways & sidings & in inclines where the rails are the property of the assessee is allowed at 10 percent under item 2 above (Plant used in connection with collieries) in addition to any depreciation allowance on the cost of constructing the tramways siding or inclines.

By order,
K.Y.G
Secy to Govt,
Rev. Deptt.

4/9/24

To. The Compiler, Mysore Gazette for publication in Part II, Section II of the Mysore Gazette & Supply of 10 spare copies of the notification to this office.

H 1697 dated 20.9.24

Copy to the Comm^r of I.T. in Mysore for information

W.D. 2230—SPB—1,00,000—23-7-20

G. R. S. VI–G-32]

B50—WD 0527

SUBJECT

Diary No. of letter replied to

General and Revenue Secretariat

( )

, the *192*

Date of issue 25-9-24

Signed by Sd/- M. A. Ranjachar

Section G.T.

File No. 9-24

Serial No. 3.

No. GI 1837

To

The Commissioner of Income Tax in Mysore

Sir,

With reference to your letter no. C 850 of 28th July 1924, I am directed to ~~state~~ that no depreciation can be allowed in respect of shafts which have ceased to be useful.

I have etc

Sd/- 23.9.24

for Secy to Govt,

Rev. Dept.

and in Continuation of this office memo No. GI 16977 of 20.9.24 inform you

over

I.T.66]

In reply refer to
No. C. 850 23-11
Enc.

C 63 Je

OFFICE OF THE COMMISSIONER OF INCOME-TAX IN MYSORE,

Bangalore.....2nd October... *192* 4.

13 Je 1316 Je

FROM

V. R. THYAGARAJA AIYAR, Esq., M.A.,
COMMISSIONER OF INCOME-TAX IN MYSORE.

K. V. Anantharaman, Esq., B.A.,
Secretary to the Government of Mysore,
Revenue Department, Bangalore.

Sir,

With reference to your letter No.Fl.1837/I.T.9-24-3 dated 25th September 1924, instructing that no depreciation should be allowed in respect of shafts which have ceased to be useful, I have the honour to suggest that in the draft notification issued with Fl.1696/I.T.9-24-2 dated 20th September 1924 for revising the rates of depreciation allowance contained and Rule 8 of the Mysore Income Tax Rules 1923, the following note may be added in the remarks column against item No. 2 shafts under the head '5 Mines.'-

"N.B. No depreciation will be allowed in respect of shafts which have ceased to be useful"

The addition of this note would authorise the Income Tax Officers to disallow allowances claimed for shafts which have ceased or will cease in future to be useful.

I have the honour to be,
Sir,
Your most obedient servant,

Commissioner of Income Tax.

VDP

Fl 2365 dated 3.11.24.

G. R. S. G/33]

GENERAL AND REVENUE SECRETARIAT.

(*Continuation sheet draft form.*)

J.T.-9-24-4

To:

The Commissioner of
Income Tax

Sir,

With reference to your letter no. C 850 dt 2nd Oct 1924 suggesting the addition of a note in the remarks column against item no. 2 Shafts under the head 'Mines' in the draft notification no. Fl 1696/ J.T 9-24-2 dt 20th Sept 1924, I am directed to state that Govt. do not think it necessary to make the addition, as it is clear that the sinking of a shaft is not an operation whose cost may be set off against profits. It seems

WD 2230—GPB—1,00,000—23-7-20

necessary, I.G. Instr.
enough if instructions are
issued departmentally to all
reserving officers.

I Laidlaw
read 1.11.24
Per Secy. to Govt,
Rev. Dept

I.T.66]

In reply refer to
No. C.850/23-24
Enc. /

OFFICE OF THE COMMISSIONER OF-INCOME-TAX IN MYSORE,

Bangalore 11th November *1924*.

1770

Confidential.

J.T. 9-24.5

FROM

V. R. THYAGARAJA AIYAR, ESQ., M.A.,
COMMISSIONER OF INCOME-TAX IN MYSORE.

To

K. V. Anantharaman, Esq., B.A.,
Secretary to the Government of Mysore,
Revenue Department, Bangalore.

Sir,

In continuation of this office No. C.850/23-24 dated 28th July 1924, I have the honour to forward herewith for information of Government a copy of the ~~D.O.~~ letter No.I.C.134/24-25 dated 8th November 1924 from the Deputy Commissioner of Kolar stating that shafts should not be brought under any of the assets on which depreciation can be allowed, as they, in his opinion, do not form either plant, building or machinery and to state that the Deputy Commissioner has not given any authority for his opinion. On the other hand it appears that a 'shaft' may come either under plant or building (vide ~~para 7~~ sub para 7 of para 42 of the Notes and Instructions regarding the Income Tax Law and Rules Part III of the Indian Income Tax Manual wherein it is stated that shafts are included in the term "Plant" as regards coal mines).

2. If possible, the practice of the Government of India as regards the Gold Mines in British India (like the Anantapur Gold Mining Co.) or of the Governments in South Africa, Australia or Canada as regards their Gold Mines may be kindly ascertained

ascertained before final orders are passed in this case.

I have the honour to be,
Sir,
Your most obedient servant,

Commissioner of Income Tax. 11/11/24

Letter No. I.C.134/24-25 dated the 8th November 1924, from the Deputy Commissioner of Income Tax, Kolar District to the Commissioner of Income Tax in Mysore, Bangalore.

I have the honour to invite attention to my two D.O. letters dated 20th June 1924 and 17th July 1924 and your reply No. C.850/23-24 dated 26th September 1924 in the matter of depreciation on shafts on the Gold Mines and to state that what I wished to point out was that shafts should not be brought under any of the assets on which depreciation can be allowed under the Regulation, as Government stand to lose a very large portion of the tax now recovered from the Mines. The shafts on Gold Mines are quite different from those on coal mines on which depreciation is allowed in British India and on the basis of which fact our Government have proposed to alter the rules under the Income Tax Regulation (vide Gazette Notification No. Fl.1696/I.T.9-24-2 dated 20th September 1924 published on page 345 of Part II of the Mysore Gazette dated 25th September 1924). Shafts on the Gold Mines are very costly and I know that one of them has cost above 80 lakhs of rupees. Depreciation on shafts which have ceased to be useful is a comparatively minor matter when compared with that on live ones. Strictly speaking shafts are in my opinion neither plant, nor building nor machinery.

In the circumstances, I have the honour to request you to bring to the kind notice of Government the great risk to income tax revenue from the proposed alteration.

Copy.

11/11/24

Strictly Confidential

D.O. letter No. nil dated 20th June 1924 from the Deputy Commissioner, Kolar District, (Camp Mysore), to the Commissioner of Income-tax in Mysore, Bangalore.

.....

In connection with the administration of the Income-tax Regulation on the Kolar Gold Fields, I wish to bring to your notice that it is not unlikely that the Gold Mining Companies may claim depreciation on Shafts, which have ceased to be useful for further mining purposes, say, by reason of exhaustion of the ore in the levels for which the particular Shaft was giving access. If this is allowed there will be a very great fall in the amount of tax assessable on Companies' income as the sinking of a Shaft involves expenditure of several lakhs of rupees. I understand that depreciation on coal Mining Shafts is allowed by the Government of India but the analogy should not hold as Coal Mines are not so deep as Mines sunk for winning gold. It also seems to me that to allow depreciation on such Shafts would be against the spirit of the Income Tax Regulation as a Shaft cannot strictly be considered as either a plant, or building or machinery. Further if a Shaft becomes useless because the reserves of ore around it are exhausted, it cannot be rightly said that it is a depreciation of the Shaft in the sense that plant, building or machinery depreciate or wear out by use. I would, therefore, respectfully suggest in the interest of Government revenue a consideration of the question whether the rules under the Regulation might not be suitably added to or amended so as to place it beyond all doubt that depreciation could not be claimed on Shafts. The matter is an important one and calls for early decision in view of the approach of the next officials year.

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D.O. letter dated 17th July 1924 from the Deputy Commissioner, Kolar District, to the Commissioner of Income-tax in Mysore, Bangalore.

....

In

In reply to your D.O. letter No. C.850/23-24 dated 4th July 1924, I write to say that depreciation on Shafts has not been allowed so far since the introduction of the Income-tax Regulation in Mysore. As regards the details asked for in paragraph 2 of your letter I regret I am not in a position to supply them but I know the Companies contemplate putting forward such a claim and I think there is at least one Shaft belonging to Oorgaum Company, which has become useless. Obviously this is not a matter on which I could make enquiries of the Mining Companies. As regards the amendments required in the Income Tax Rules, I would suggest that to Clause (vi) of sub-para 2 of Section 10 a proviso be added that ashaft sunk for mining purposes shall not for the purposes of the Section be regarded as a building, machinery, or plant.

2. I might add that the question seems to have received consideration at the hands of Government of India, who seem to have ruled that a shaft sunk in a coal mine falls within the definition of plant (vide paragraph 42 on page 92 of the Income-tax Manual issued by the Government of India), but for want of literature in this out of the way place, I cannot give you more definite information. I would, however, invite your attention to paragraph under the heading "Allowances in respect of depreciation" on page 188 of P.Duraiswamy Iyengar's Income Tax Manual, 1922, which seems to make it desirable that the matter should be placed beyond controversy. I would also invite attention to paragraph 163 on page 96 of A.V. Viswanathasastry's book on Law and Practice on Income Tax, where plant is interpreted to include shafts sunk in mines. I would, therefore, suggest that very early action be taken in the matter.

"COPIES."

M Iyengar 28/7/24

For COMMISSIONER OF INCOME TAX IN MYSORE.

App.F.VI G1.] B650

SUBJECT.....

Diary No. of letter replied to .....

General and Revenue Secretariat
( )
the 192

Date of issue 22.12.25

Signed by Jn B.S.

List of enclosures.....

Copied by .....

Examined by.....

Section 9T
File No. 9-14
Serial No. 6

No. 71361

To.

Notification

In exercise of the power conferred by Section 59 of the Mysore I.T. Regn, 1923, the Govt. of H.H. the Maharaja of Mysore are pleased to direct that the following further amendment be made in the Mysore Income Tax rules, 1923, the same having been published previously as required by sub-section (3) of the said Section.

The following shall be substituted for the statement of rates of depreciation allowance contained

over

in rule 8 :

Class of buildings, machinery, plant or furniture	Rate (Percentage on prime cost) Rs.	Remarks
BUILDINGS*:—	...	*Double these rates may be allowed for buildings used in industries which cause special deterioration, such as chemical works, soap and candle works, paper mills, and tanneries.
(1) First class substantial buildings of selected materials.	2½	
(2) Buildings of less substantial construction.	5	
(3) Purely temporary erections such as wooden structures.	10	
2. MACHINERY, PLANT OR FURNITURE.†	...	†The special rates for electrical machinery given below may be adopted, at firm's option for that portion of their machinery.
General rate	5	
Rates sanctioned for special industries :—		
Flour Mills, Rice Mills, Bone Mills, Sugar Works, Distilleries, Ice Factories, Aerating Gas Factories, Match Factories.	6¼	
Paper Mills, ship building and Engineering Works Iron and Brass Foundries, Electrical Engineering Works, Motor Car repairing Works, Galvanizing works, Patent Stone works, Oil extraction factories, Chemical works, Soap and Candle works, Lime works, Saw Mills, Dyeing and Bleaching works, Furniture and plant in hotels and boarding houses, Cement works using rotary kilns.	7½	
Plant used in connection with brick manufacture, tile making machinery, optical machinery, glass factories, surgical and dental instruments, Telephone Companies, Collieries.	10	
Sewing machines for canvas or leather.	12½	
Motor cars used solely for the purpose of business.	15	
Motor taxis, motor lorries and motor buses.	20	
3. Electrical Machinery :—		
(a) Batteries	15	
(b) Other electrical machinery, including electrical generators, motors (other than tramway motors) switch-gear and instruments, transformers, and other stationery plant and wiring and fittings of electric light and fan installations.	7½	
(c) Underground cables and wires...	6	
(d) Overhead cables and wires ...	2½	
~~(e) Plant used in connection with Gold Mines~~	~~7½~~	
4. Hydro-Electric concerns :—		
Hydraulic works, pipe lines, sluices and all other items not otherwise provided for in this statement.	2½	

5. Mines :-

(1) Railway sidings (excluding rails) 5

(2) Electric plant used in connection with Gold mines. 7½

By order,

K.N

Secy. to Govt. Rev. Deptt.

To. The Compiler, Mysore Gazette, for By publication in Part III ~~Section II~~ of the

G. R. S. G/33]

GENERAL AND REVENUE SECRETARIAT.

(*Continuation sheet draft form.*)

Mysore Gazettes & Supply of
10 Spare copies to this office
1 ov. to the office of the Comm^r of
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H 3612/1 dated 22 12/25
Copy of the above is forwarded
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of I.T.

B.O.
Secy to Govt
Rev. Dept

WD. 2230—GPB—1,00,000—23-7-20

App.F.VI-G1.] B650

2 grafts

SUBJECT.....

Diary No. of letter replied to .....

General and Revenue Secretariat
( )
, the 192

Date of issue 2 2nd/12/25

Signed by M B. S.

Confidential

Section 9.T
File No. 9-24
Serial No. 7
No. 4363/13

To .....

Dear Sir,

With reference to the correspondence ending with your letter no. C 850 of 11th Nov 1924 in regard to the depreciation to be allowed for Shafts which have ceased to be useful, I am desired to ~~state that Govt. are of opinion~~ that the miners is not entitled to deduct from the gross profits a sum estimated as representing the amount of capital expended in making bores & sinking pits which have been exhausted by the year's

over

(* in continuation of this O.M. no. dt.)

I write you also in connection with your letter no 7C 2365 of 3-11-24 and to communicate for your information the following opinion of Govt. of India

List of enclosures confidentially

Copied by M.K. Das

Examined by Paras 40, 148

working. This is the answer
given by the House of Lords in
Coltness Iron Company v. Black
6 AFR cases 315 and it is understood
that this decision has been the rule
in England even now.

The question may therefore
be dropped. The Dep. Comm. Kerala may be informed
accordingly

Yours Sincerely
K
9.12
Revsec

V. R. Thyagaraja Aiyar B.Sc. M.A
Comm'r of Income Tax
in Mysore

NOTIFICATION.

No. Fl. 3611—*I. T.* 9-24-6, *dated* 22*nd December* 1925.

In exercise of the power conferred by Section 59 of the Mysore Income Tax Regulation, 1923, the Government of His Highness the Maharaja of Mysore, are pleased to direct that the following further amendment be made in the Mysore Income Tax Rules, 1923, the same having been published previously as required by sub-section (3) of the said Section :—

The following shall be substituted for the statement of rates of depreciation allowance contained in rule 8 :—

	Class of buildings, machinery, plant or furniture	Rate (Percentage on prime cost) Rs.
	Buildings—	
	(1) First class substantial buildings of selected materials	2½
	(2) Buildings of less substantial construction	5
	(3) Purely temporary erections such as wooden structures	10
2.	Machinery, plant or furniture†	...
	General rate	5
	Rates sanctioned for special industries :—	
	Flour Mills, Rice Mills, Bone Mills, Sugar Works, Distilleries, Ice Factories, Aerating Gas Factories, Match Factories.	6¼
	Paper Mills, Ship building and Engineering Works, Iron and Brass Foundries, Electrical Engineering Works, Motor Car repairing Works, Galvanizing Works, Patent Stone Works, Oil Extraction Factories, Chemical Works, Soap and Candle Works, Lime Works, Saw Mills, Dyeing and Bleaching Works, Furniture and plant in hotels and boarding houses, Cement Works using rotary kilns.	7½
	Plant used in connection with brick manufacture, tile making machinery, optical machinery, glass factories, surgical and dental instruments, Telephone Companies, Collieries.	10
	Sewing machines for canvas or leather	12½
	Motor cars used solely for the purpose of business	15
	Motor taxis, motor lorries and motor buses	20
3.	Electrical Machinery :—	
	(*a*) Batteries	15
	(*b*) Other electrical machinery, including electrical generators, motors (other than tramway motors) switchgear and instruments, transformers, and other stationery plant and wiring fittings of electric light and fan installations.	7½
	(*c*) Underground cables and wires	6
	(*d*) Overhead cables and wires	2½
4.	Hydro-Electric concerns :—	
	Hydraulic works, pipe lines, sluices and all other items not otherwise provided for in this statement.	2½
5.	Mines :—	
	(1) Railway sidings (excluding rails)	5
	(2) Electric plant used in connection with gold mines	7½

REMARKS.—*Double these rates may be allowed for buildings used in industries which cause special deterioration, such as chemical works, soap and candle works, paper mills and tanneries.

†The special rates for electrical machinery given may be adopted, at firm's option for that portion of their machinery.

By Order,

B. SRINIVASA IYENGAR,

Secretary to Government,

Revenue Department.